Course Syllabus—Fall 1997
Finance 7200: Doctoral Seminar--Empirical Research Methods in Finance
[Reasonably Final]

Course Instructor: Russ Wermers

Classroom: Business 201
Class Time: Tuesdays and Thursdays, 3:30-4:45 (unless we can agree on one day per week)
Office: Business 473
Office Phone: 492-0890
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WWW Address: http://www-bus.colorado.edu/faculty/wermers
Office Hours: Wednesdays, 2-5 (or, by appointment)

Course Objectives:

1. To introduce you to several econometric methods commonly used in finance research
2. To introduce you to several applications of these methods
3. To (potentially) give you some ideas for a dissertation topic

Final Grade Weighting:

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<tr>
<th>Component</th>
<th>Percentage</th>
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<tbody>
<tr>
<td>Homework/Class Participation</td>
<td>30 %</td>
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<tr>
<td>Project</td>
<td>30 %</td>
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<td>Final Exam</td>
<td>40 %</td>
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Textbooks:


Journal Articles (a class-coordinated project to compile)

Other optional books of interest:


Homework:

Homework will be assigned from the CLM text along with some other ad hoc problems that I think will help you both in understanding the course work and in downloading and working with data. I’ll announce when homework is due, and I’ll call on someone to lead a “roundtable” discussion on approaches to the problem. Others are expected to contribute to the discussion, too. Homework will generally not be collected, but you need to be prepared every time for the roundtable discussion.

Class Participation:

Each person will be assigned two papers to present to the class sometime during the semester. Basically, you need to prepare clear notes that can be distributed to the class and that can be used in your presentation. Aim for a 30 minute presentation. Expect questions about the paper from the participants, but the participants will be expected to also help with tough questions.

Project:

By the end of Week 6, you need to submit a short proposal for a project. The proposal should have a brief outline of the subject, the methodology, and the most important published literature that you will use as a starting point. The project can be entirely theoretical, entirely data analysis, or a combination of both, as long as the topic is related to a subject covered in this class. Please note, though, that a person not analyzing any data will be required to compensate by delving deeper into the theory. I’ll review the projects by Week 7 and give you feedback. It may be a good idea to meet with me to discuss your idea before writing the proposal to avoid wasting time. The projects are due the last day of finals, Thursday, December 19, by 5:00 p.m. A good target length to aim for is around 15 pages of text plus any supporting programs or tables.
Final Exam: The final will be comprehensive and will be administered during the University-assigned final exam date and time, unless every registered student signs off on an alternative date and time. This exam should be a good practice exercise for preparing for the finance field exam. Generally, the majority of the exam will be material directly covered in class, although a small portion will test whether you read the articles reasonably well. As long as you understand the main results and supporting proofs of papers (along with assigned homework), you should be in very good shape. The exam is scheduled for Monday, December 15, 1997 at 3:30-6:30 p.m. in Business 201.

TOPICS
(Boldface Type Indicates Papers with Heavier Emphasis)

I. Introduction/Philosophical Issues in Empirical Research

1. CLM, Chapter 1.


5. Greene, Econometric Analysis, Chapter 2 (review of linear algebra).


II. Technical Issues in Working with Returns Data

1. CLM, Chapter 3.


A. Bid-Ask Spread


**B. Non-Synchronous Trading**


**C. Overlapping Observations**


**D. Bootstrapping Methods**

1. ET, Chapters ???.

**E. Monte Carlo Methods**

1. F, Chapters ???.

**F. Heteroskedasticity and Autocorrelation**


G. Measuring Long-Run Abnormal Returns


III. Tests of the CAPM

1. CLM, Chapter 5.


IV. Empirical Predictors of Expected Stock Returns


V. Tests of Mean Reversion and Stock Return Predictability


VI. Portfolio Evaluation


VII. Microstructure

A. Price Quotes and Order Flow


B. Block Trades


C. Manipulation


VIII. Event Studies